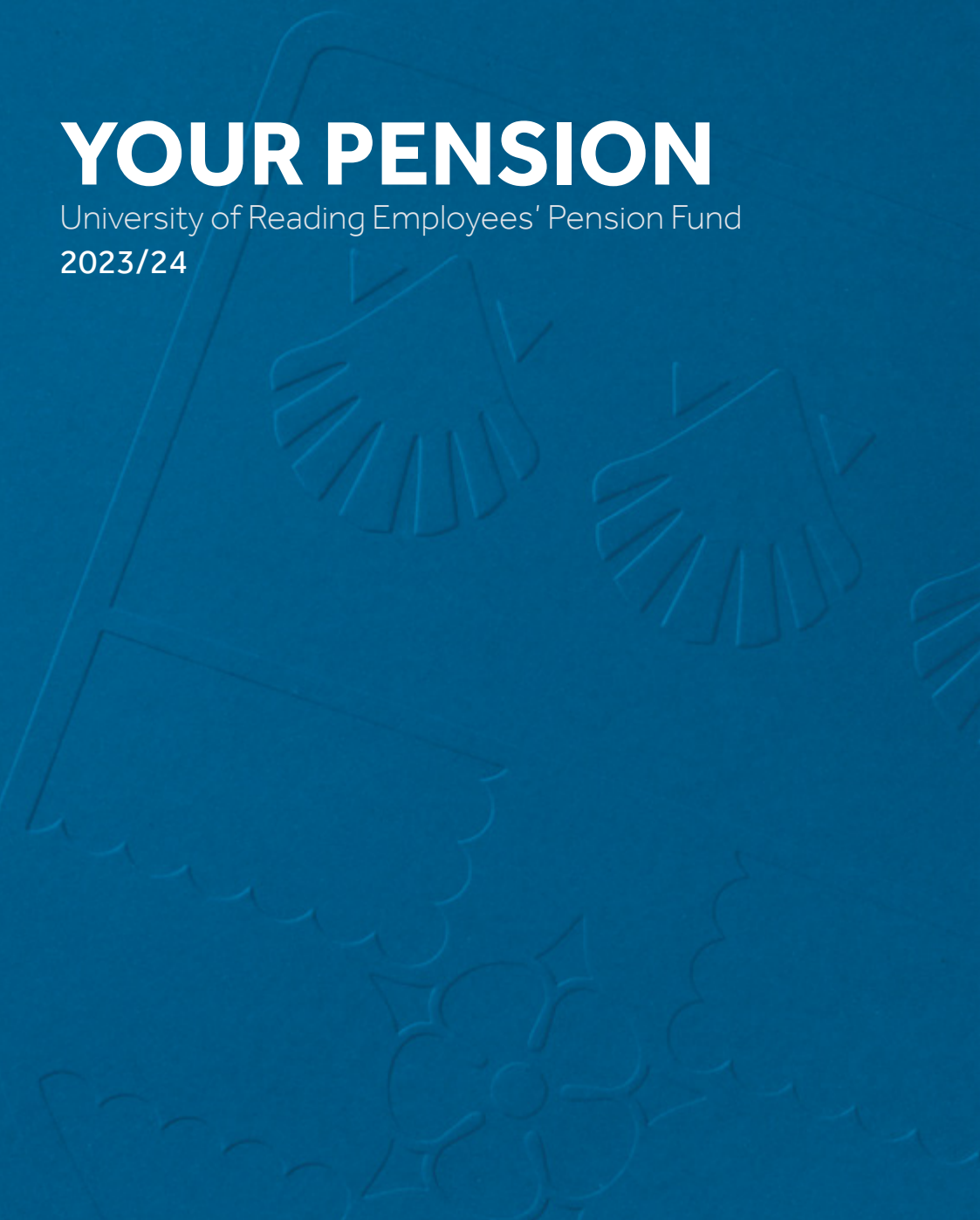


YOUR PENSION

University of Reading Employees' Pension Fund
2023/24



WELCOME

... to this year's newsletter for members of the University of Reading Employees' Pension Fund (UREPF).

In this year's newsletter, we take a look at the investment strategy, explore current pensions topics, delve into the role of a pension scheme actuary and much more!

We also look at how to stay safe online and explain how to avoid falling for a pensions scam.

If you have any topics you would like to see covered in future editions of your newsletter, please get in touch via the contact details provided at the end of this newsletter.

Heike Burnell
Secretary to the Trustees

PEOPLE

Trustees

The Trustees of your pension scheme are:

Mrs Joanne Livingstone (Chair)
Employer appointed

Mrs Claire Rolstone
Employer appointed
(Director of Human Resources)

Miss Marie Misselbrook
Employer appointed
(Deputy Director of Finance)

Mr Steve Sherman
Employer appointed

Mrs Sue Mott
Member nominated

Mr Mark Taylor
Member nominated

Dr Kris Hamer
Member nominated

The Trustees are supported by a Secretary to the Trustees, Heike Burnell, and the Assistant Secretary to the Trustees, Lisa Dodd.

The Trustees would like to thank Stephanie May, the outgoing Secretary to the Trustees, for her many years of dedication and support to the pension scheme, and wish her all the best in her well-deserved retirement!

Advisers and Providers

The Trustees of the UREPF have overall responsibility for running the scheme but in order to do this efficiently and correctly, they have the help of professional advisers and service providers to whom much of the day-to-day work is delegated. The table below sets out the advisers and service providers currently appointed by the Trustees:

Actuary

Mr John Hemsley, FIA, Mercer Limited

Pension Consultants

Mercer Limited

Investment Managers

BlackRock Investment Management (UK) Limited
Legal & General Investment Management
Schroder Investment Management
Insight Investment

Investment Advisers

Mercer Limited

Administration, Pensioner Payroll and Accounting service provider

Barnett Waddingham LLP

AVC Providers

Clerical Medical Investment Group Limited
Utmost Life and Pensions

Legal Advisers

Linklaters LLP

Auditors

Mazars LLP

AN INTERVIEW WITH...

John Hemsley, Scheme Actuary

John has been the Scheme Actuary of the University of Reading Employees' Pension Fund since 2012. Here we find out more about him and how he helps to look after the Fund.

So what does an actuary do?

Actuaries assess and manage financial risks. We use mathematical and statistical models to analyse data and make predictions about future events.

As the actuary to the University of Reading Employees' Pension Fund, my primary role is to provide advice and recommendations to the Trustees, enabling them to make informed decisions about how they manage the pension scheme. I carry out regular health checks on how the Fund is doing financially. As part of the "actuarial valuation" every three years, I advise the Trustees how much money is needed to keep the Fund on track in order to pay member's benefits in full. I'm currently working on the results of the actuarial valuation as at 31 July 2023 so this is a really important year. Ultimately, my aim (and that of the Trustees) is to ensure that your benefits are kept safe and secure.

So it is all about mathematics?

As well as having a sound grounding in maths, an actuary also needs to understand how the pension schemes they're advising can be impacted by a wide variety of things. This includes economics and the outlook for the UK economy; the different types of investments that pensions schemes have; legal requirements and regulatory guidance affecting the running of the pension scheme; how the pension scheme is administered; and the strength of the employer supporting the pension scheme. There is always something changing which means lots to keep up to date with.

What qualifications do you have?

I went to Warwick University taking a strangely named degree called "MORSE" which stands for Maths, Operational Research, Statistics and Economics. Once I started work I then spent 5 years taking professional exams which means I am a Fellow in the Institute and Faculty of Actuaries. That's a bit of a mouthful so it is usually shorted to "FIA" when written down.

Importantly though, I also have to stay up to date with developments. I do this by attending conferences, workshops and seminars, reading lots of papers and discussing current actuarial topics with colleagues.

Tell us a little of your background

I was born and bred in Leicester and I'm a proud Leicester City fan. Even though my job is to make predictions about the future, I could never have foreseen that we'd win the Premier League in 2016! I moved to Birmingham to start my working life and have remained in the West Midlands. I have been married for 18 years and have two lovely children. In my spare time I enjoy playing hockey and cricket for local teams, going to music concerts, and introducing my daughter to the classic TV comedies of my childhood!

What is the most enjoyable part of your role?

It might be a bit of a cliché but my favourite part of my role is the time I spend with people. That includes those I work closely with at Mercer and building relationships with the clients I work for. I love working with the Trustees and in-house pensions teams of the pension schemes I am appointed as an actuary to, and the other people involved in running the pension scheme. It feels great to see how our combined efforts help the members of all these pension schemes have a secure financial future.

FOCUS ON INVESTMENTS

Investment Strategy Update

The financial markets experienced notable volatility over the last two years or so, with some assets reacting particularly strongly to the 2022 'mini-budget'. Following a period of substantial increases in gilt (government security) yields, the value of the Fund's assets fell. However, it caused the Fund's liabilities to fall by a greater amount, meaning that the overall funding position improved. The Investment Sub Committee therefore

discussed how this improved position could be "locked-in" and subsequently agreed to enhance the Fund's hedging portfolio. This was achieved by replacing the Fund's current 40% allocation to long dated index linked gilts with a portfolio of gilt and index linked gilt funds that more closely match the Fund's liability characteristics. This change in strategy aims to hedge approximately 80% of the Fund's exposure to interest rate and inflation risk.

The Fund still invests in a portfolio of growth assets, including the Secured Finance funds, a High Lease to Value ("HLV") property fund and the Diversified Growth fund, with the aim of delivering outperformance above gilts and improving the funding level over time.

The Fund also invests in defensive assets in order to reduce overall funding level volatility, including Buy and Maintain credit and Government Bond ("gilt") funds. These provide sensitivity to changes in long term interest rates and expected future price inflation.

The Investment Sub Committee, as well as the full Trustee Board, continues to closely monitor both the fund performance of its assets, as well as the suitability of the assets themselves.

If you would like to see the Fund's Statement of Investment Principles, you can find the latest copy at: reading.ac.uk/UREPF. You can also view the Implementation Statement here along with other scheme documents.

Asset Class	Investment Manager	Previous Allocation (%)	New Allocation (%)
Diversified Growth Fund	LGIM	10	10
High Lease to Value (HLV) Property	LGIM	20	20
Secured Finance	Insight and Schroders (via Mercer)	10	10
Buy & Maintain Credit	BlackRock	20	20
Over 5yr Index Linked Gilts	BlackRock	10	
Over 25yr Index Linked Gilts	BlackRock	30	
Hedging Portfolio	BlackRock		40
Total		100	100

FOCUS ON GOVERNANCE

The Chancellor's "Mansion House" proposals

On 10 July 2023, the Chancellor of the Exchequer presented a package of proposals for reforming the UK pensions market. This package is intended to increase funding for UK high-growth companies and improve outcomes for pension savers. Headlining the package of reforms is the "Mansion House Compact", signed by nine of the largest defined contribution providers. Alongside the Compact is a wider package of consultations, calls for evidence, and promises of further reform.

In his announcement, the Chancellor of the Exchequer advised that the government's reform plans would be guided by three golden rules:

- Securing the best possible outcomes for pension savers.
- Prioritising a strong and diversified gilt market to deliver an evolutionary, rather than revolutionary, change in the pensions market.
- Strengthening the UK's position as a leading financial centre to create wealth and fund public services.

The key elements of the proposed reforms are as follows:

- Consolidation of pension schemes: The need for scale in order for pension schemes to take advantage of a wider range of investment opportunities. For Defined Benefit (DB) schemes, the intention is to introduce a permanent regulatory regime to assist employers and DB scheme Trustees with managing DB scheme liabilities and increase the overall use of superfunds in the UK.
- Investment options: Encouraging investment by DB schemes into UK "productive assets" (e.g. UK private equity, UK infrastructure and UK listed companies).
- Trustees' skills: An enhanced role for pension schemes as investors brings with it an increased focus on the capabilities of occupational pension scheme Trustees, who are not subject to the requirements of the Financial Services and Markets Act 2000.
- Helping savers understand their pension choices: Placing a duty on Trustees to include decumulation options which should be suitable for the generality of a DC scheme's members, including offering support and suitable products for members. Trustees might choose to provide their decumulation services directly or through another supplier.

Climate Change

The climate is changing as a result of human activity and this will have profound consequences for pension funds' investments. As such, governance bodies should take steps to prepare for the economic ramifications of climate change.

While climate change is commonly thought of as a long-term issue, potentially hitting global GDP by 50 per cent by 2100, there is also a serious risk to pension funds' investments in the short-term. A recent report from Cambridge University found that in the event of a 2°C increase, portfolios with a similar make up to many pension funds could suffer permanent losses of more than 25 per cent within five years after the shock is experienced.

Senior figures from the Bank of England and the Pensions Regulator (TPR) have also warned of the threat to financial stability posed by climate change. Indeed, guidance from TPR makes clear that pension fund governance bodies should consider the impact of climate change on their investments. As such, the Pensions and Lifetime Savings Association has developed guidance which includes:

- Incorporating climate change expertise onto Trustee boards and other governance bodies.

- Reviewing how current and prospective asset managers consider climate change as part of their investment decisions, and incorporating this into manager selection processes.
- Instructing asset managers to engage with investee companies with regard to their plans to mitigate and adapt to climate change.
- Reporting on their management of climate change-related risk to beneficiaries, using the reporting framework recommended by the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD).

The TPR's new code of practice, expected to be launched later this year, will also contain a module that refers to climate change. This will include the requirement that governing bodies of affected schemes should assess climate-related risks and opportunities as part of their effective systems of governance, including internal controls.

The Trustees have already started to think about how climate change could affect the Fund and its investments by monitoring potential risks and making sure they receive regular updates from their investment managers.

FUND UPDATES

Guaranteed Minimum Pension project

- Guaranteed Minimum Pension (GMP) first came into existence in April 1978 when the Government introduced the new two-tier state pension. GMP was built up between April 1978 and 1997 when some pension schemes could elect to “contract out” of the second tier of this scheme (known as SERPS or the State Earnings Related Pension Scheme). Contracting out meant that both members and employers paid a lower rate of National Insurance.
- If you were a contributing member of the Fund between 1978 and 1997, the GMP forms part of your overall pension. The ability to build up a GMP came to an end on 5 April 1997 so anyone whose membership of UREPF started after that date will not have any element of GMP as part of their UREPF pension.
- Although State Pension Ages are now equalised between men and women, when GMPs first came into being in 1978, a woman’s State Pension Age was 60 and a man’s was 65. As a result of GMPs being unequal, some people may have earned higher or lower overall pension benefits as a result of their sex, even where the pension scheme Trustees had taken action to equalise their pension scheme’s normal pension age.

- The High Court ruled in October 2018 that all UK pension schemes must take steps to equalise pension benefits for both men and women in relation to any GMP built up between 17 May 1990 and 5 April 1997. UREPF is affected by this ruling as are the vast majority of other UK pension schemes. The work required to equalise pensions benefits is considerable and has required liaison with HMRC to compare contracting out records for all affected members.
- Since the last newsletter, the scheme administrator and the Trustees have been working together to make sure that all member records are correct and up to date. The next steps are for the Trustees to formally agree the methodology to be used for the equalisation calculations, and for the scheme administrator to apply the outcome of these calculations to individual records. All individuals affected by these equalisation calculations will be written to with an explanation of the changes. It is hoped that this project will be completed within the next 12 to 18 months.

Actuarial valuation

An actuarial valuation is a type of appraisal of a pension fund’s assets versus liabilities, using investment, economic, and demographic assumptions for the model to determine the funded status of a pension plan. The assumptions are based on a mix of statistical studies and experienced judgment. Since assumptions are often derived from long-term data, unusual short-term conditions or unanticipated trends can occasionally cause deviations from forecasts.

The actuary must make assumptions regarding, but not limited to, the discount rate, wage growth rates, inflation rates, mortality rates and service retirement

ages. On the asset side, the actuary must make an assumption about the investment growth rate for the portfolio of stocks and bonds and other assets.

Regulations state that an actuarial valuation of the Fund must take place every 3 years. The last valuation for UREPF was completed as at 31 July 2020. The next valuation, as at 31 July 2023, is currently in progress but at the time of writing the final assumptions have not yet been agreed with the University. The full results of this latest valuation will be completed later in 2024 and will then be communicated to members of the Fund. In the meantime, the actuary has provided provisional funding results based on the 2020 valuation membership data:

Risk	2020 valuation	2023 provisional update
Assets	£211.8m	£151.8m
Liabilities	£206.5m	£130m
Surplus	£5.3m	£21.8m
Funding level	103%	117%

NEWS / NOTICEBOARD

BWebstream

BWebstream is Barnett Waddingham's (the Scheme Administrator) secure, easy to use, fully integrated, online tool for company pension schemes. As a member of the Fund, you can currently access your account to view your personal details, update personal information and run retirement "what if" calculations. You can also log in to record your Expression of Wishes.

If you have not yet registered for access, or perhaps need help getting back online, please contact Barnett Waddingham on 0141 447 0799 for assistance.

Minimum Pension Age

This is the minimum age at which members of private pension schemes can access their benefits. Access is only available earlier than this if the individual is taking their benefits on the grounds of ill health or has a Protected Pension Age.

Following a government consultation, the minimum pension age is being raised from age 55 (as it is now), to age 57. This change will take effect from 6 April 2028.

Midlife MOT

The nature of work and retirement is changing. People are living longer, working across multiple jobs over the course of their lives, and approaching retirement differently so that they can make full use of the freedoms afforded to them. But upfront planning on how you want to spend your later life makes an enormous difference to what is on offer.

The Midlife MOT, which can be found online and through Job Centres in some parts of the UK, enables workers in their 40s and 50s to take stock of their finances, skills and health. A newly launched enhanced digital Midlife MOT brings together trusted services, tools and charity resources from the NHS, Money Helper, Mind, Citizens Advice and the Department for Work and Pensions (DWP), to help more people to plan for their future.

The money section of the digital Midlife MOT aims to help savers, and involves a digital tool, asking questions covering debt, budgeting, insurance and pensions. People can educate themselves on the pensions basics, check their state pension age, find any lost pension pots, establish their ideal retirement income and go through a step-by-step guide to boosting their pension and planning their retirement income.

Further information can be found by visiting jobhelp.campaign.gov.uk/midlifemot

Staying safe online and avoiding pension scams

In an increasingly digital world, we all need to know how to look after our data online. As recent cyber security incidents at Capita and other large organisations show, cyber crime is on the rise and so it's important to be vigilant. Whenever you're using online services, there are some things you can do to keep your data safe:

- Make sure you use strong passwords with numbers, uppercase and lowercase letters, and symbols.
- Get into the habit of using different passwords for different accounts – so if cyber criminals get hold of a password, they can't use that data to access anything else.
- Keep your browsers and devices up to date by installing software updates regularly. Keep your antivirus, firewall, and any other security software up to date too.
- Check website links match those you've previously used or separately verify them using another source and make sure that email addresses are genuine before replying.

Some cyber criminals will specifically try to target your pension savings. The most common scams will:

- Try to convince you that you can get more money by investing your pension somewhere else – anything offering guaranteed returns, or that sounds too good to be true, is likely to be a scam.
- Offer you a loophole or another scheme to access your pension before age 55 if you're not already retired (see our article on the minimum pension age for more information).
- Pressure you into making a decision, rather than give you time to seek professional advice from a regulated adviser.

Remember, it's illegal to make cold calls about financial services, including pensions, so if anyone contacts you out of the blue, it's likely to be a scam.

If you're unsure about any offer you've received, investigate it fully and take professional advice. You can check if an adviser is regulated on the FCA website, and find out more about how to avoid scams on its dedicated page: fca.org.uk/consumers/protect-yourself-scams

The Trustees and the scheme administrator also carry out rigorous checks to minimise the risks to members.

ACCOUNTS

The Trustees prepare an Annual Report and Accounts, which gives full details of all the financial transactions that have taken place within the UREPF over the year.

A copy of the full Annual Report and Accounts is available on request – contact the Pensions Office using the contact details on the last page.

Summary of Income & Expenditure and Membership Movements

Set out overleaf is a summary of the information in the Accounts over the last three years.

Income	31 July 2021	31 July 2022	31 July 2023
Investment Income and returns	7,408,783	(25,329,107)	(28,596,200)
Employer Contributions*	2,538,613	2,450,002	2,296,169
Employee Contributions	37,164	32,663	32,790
Life Insurance Claims	53,030	-	-
Total	10,037,590	(22,846,442)	(26,267,241)

Expenditure

Pension Payments	4,874,063	5,031,343	5,323,054
Commutation of Trivial Pensions and Retirement Benefits	792,458	698,676	717,420
Death Benefits	102,533	-	12,419
Transfers Out & Other Payments relating to Leavers	12,450	381,544	-
Death In Service Insurance Premiums	(3,840)	17,551	6,947
Investment Manager Fees	536,644	390,652	418,711
Administrative expenses	210,769	213,835	227,331
Actuarial Fees	202,614	120,811	122,586
Audit Fees	13,420	10,180	10,800
Legal & Other Professional Fees	37,884	3,900	13,080
Other Fees & Expenses	1,449	17,377	19,753
Total	6,780,444	6,885,869	6,872,101
Total Net Assets Fund	152,282,707	185,424,858	215,157,169

Members

Active	186	166	148
Deferred	856	832	802
Pensioner	1,200	1,210	1,213
Total	2,245	2,208	2,163

*As most members' contributions are paid by the employer via the Salary Exchange arrangement (Pensions+), these are included in the employers' contributions figure. The arrangement provides a National Insurance saving to the member and the University.

WHO TO CONTACT

The team that works in the Pensions Office is there to help you with any general questions you have about the UREPF. If you have any questions about the topics covered in this issue or would like copies of any of the UREPF's governing documents, you should contact:

Pensions Office,
University of Reading,
Whiteknights,
PO Box 217,
Reading,
RG6 6AH

pensions@reading.ac.uk

(external) 0118 378 7121 (internal) 7121

i If you have any queries which relate specifically to your own benefits, or your personal circumstances change, please contact the administrator:

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